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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

Arizona Corporation Commission

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JUL 2 2014

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

DOCKETED BY

ORIGINAL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02528^A-05-0687
DUNCAN VALLEY ELECTRIC COOPERATIVE)
INC. - GAS DIVISION FOR APPROVAL OF) COMPLIANCE
PURCHASED GAS ADJUSTOR SURCHARGE) PLAN TO ACQUIRE FIXED
) PRICE GAS SUPPLIES
)

Duncan Valley Electric Cooperative's Gas Division ("DVEC") which was formerly known as Duncan Rural Services Corporation hereby respectfully submits to the Arizona Corporation Commission (the "Commission") its plan to acquire fixed price natural gas supplies in compliance with Decision No. 68297. Duncan Rural Services Corporation was dissolved in accordance with Decision No. 69679, dated June 28, 2007. This Decision approved the dissolution of DRSC and the transfer DRSC's assets, certain liabilities and Certificate of Convenience and Necessity to a Gas Division of DVEC. This transfer and dissolution was completed on January 1, 2008.

I. THE DVEC PLAN.

Decision No. 68297 requires DVEC by June 30 of each year to file a plan indicating any fixed price supplies that it has acquired for the following winter season and how DVEC plans to hedge its natural gas supplies prior to the following winter heating season. Since the beginning of

1 May, DVEC has been actively preparing this plan and seeking bids for natural gas at a fixed price
2 during the 2014-2015 winter heating season. DVEC has not included in this plan a hedging
3 strategy due to the fact that it does not have the financial ability to buy gas now for the 2014-2015
4 heating season.

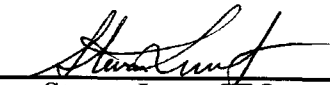
5 DVEC's most recent cost of gas was \$4.61 per MMBtu for natural gas on the spot market
6 for the month of May 2013.

7
8 Monthly, DVEC looks at longer term fixed price offers from its natural gas supplier. The
9 fixed price offers for 12, 24, and 36 months beginning July 1 are \$4.58, \$4.45, and \$4.43
10 respectively. DVEC is still evaluating whether or not to enter into a contract for a fixed price.
11 Typically DVEC makes a decision of whether or not to enter into a longer term contract based on
12 fixed prices that come out closer to the winter months to avoid over paying for gas in the summer
13 time when prices are normally lower than in winter months.
14

15 16 **II. CONCLUSION**

17 DVEC is still evaluating whether or not a plan that includes a fixed price contract for a
18 percentage of its historical gas purchased will significantly lessen the price risk to its customers
19 associated with winter natural gas supplies and purchases. If it can enter into such a contract at a
20 reasonable price after the summer usage period and if future spot prices are greater than the fixed
21 contract price in a given month, DVEC's customers will only pay up to the contract price for the
22 contracted amount. If future spot gas prices are less than its fixed gas contract price in a given
23 month, then customers will experience savings on all gas purchases above the contracted amount.
24 DVEC may decide to enter into a fixed price contract if it is in the best interest of its customers.
25
26

1 RESPECTFULLY SUBMITTED this 30th day of June 2014.

2
3
4 By 
5 Steven Lunt, CEO
6 Duncan Valley Electric Co-op
7 379597 AZ 75
8 Duncan, AZ 85534
9 Office: 928-359-2503

10 Original and thirteen (13) copies of
11 Duncan Valley Electric Cooperative's Plan
12 filed this 30th day of June, 2014 with:

13 DOCKET CONTROL
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
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